

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 2508, Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

EP/EO

Date: OCT 8 1986

Dear Sir or Madam:

This is a final adverse determination letter. Your application for tax exempt status under section 501(c)(3) of the Internal Revenue Code of 1954 is hereby denied. That statute provides for exemption from Federal income tax for corporations or any community chest, fund or foundation that is organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Your organization's activities consist of providing benefits and services to your members in the form of discounts on lodging, restaurant and other retail purchases. The provision of these benefits and services is not in furtherance of religious or other exempt purposes. Thus, your organization is not operated exclusively in furtherance of one or more exempt purposes set forth in section 501(c)(3) of the Code. Accordingly, your application for recognition of exemption under section 501(c)(3) of the Code is denied.

You have agreed to this determination by signing Form 6018, Consent to Proposed Adverse Action. Accordingly, this letter becomes our final determination.

Since you are not exempt, you must file all Federal tax returns required of you by the Internal Revenue Code.

Contributions to you are not deductible by donors under section 170(c) of the Code.

A copy of this notification has been furnished to the appropriate state officials in accordance with section 6104(c) of the Internal Revenue Code.

This is a denial letter.

Sincerely yours,

District Director

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 2508, Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

EP/EO
Date

MAY 20 1986

Dear Sir or Madam:

- We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1954 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a trust or Form 1120 if you are a corporation or an unincorporated association. Contributions to you are not deductible under section 170 of the Code.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.



You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892 (Rev. 7-83), "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that:

A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within the time specified, this will become our final determination. In that event, appropriate State officials will be notified of this action in accordance with the provisions of section 5104(c) of the Code.

Sincerely yours,



District Director

Enclosures: 3

Enclosure I

[REDACTED]

Your application discloses that you were incorporated on [REDACTED] under the laws of the State of [REDACTED] for the following purposes:

1. To provide a service and ministry to clergyman of all faiths, enabling them to secure a discount for goods and services connected directly and/or indirectly to the pursuit of their calling and ministry.
2. To support needy clergy, missionaries, churches, missionary organizations, the poor, the needy, religious organizations and educational ministries, and to include the making of distributions to organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future Federal Tax Code.

In addition to those purposes, your constitution and bylaws indicate that your objects are as follows:

3. To hold and practice the principles of the historic Christian faith and to support the propagation of the Gospel by way of radio, television and publication, as led and directed by the Holy Spirit.

Your activities indicate that you are committed to extending discount courtesies to clergy and full-time religious workers. These discount courtesies are the same as those extended to the commercial community when securing travel/lodging accommodations. Your organization is designed to serve as the liaison between the travel/service industry.

Your organization has secured significant discounts of up to 50% on lodging accommodations at major hotel/motel chains across America. You are negotiating with major restaurant chains to offer similar discounts. You are seeking discounts with clothier, furniture and appliance providers. You provide a service to clergy and business by directing [REDACTED] members to participating business which offer the discount. These discounts are similar to what the travel industry offers to various travel/entertainment clubs and commercial accounts.

To become a member of [REDACTED], an annual service fee will be charged. You will solicit the discount card membership by advertising in publications which are directed to the clergy. You will also secure prospective members through the purchase of mailing lists.

You indicate that if any funds accrue after payment of operating expenses, the excess will be used to assist worthy religious and charitable causes.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Regulations states that in order to qualify under section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

Section 1.501(c)(3)-1(a)(2) of the Regulations states that the term "exempt purpose or purposes", means any purpose or purposes specified in section 501(c)(3) of the Code.

Section 1.501(c)(3)-1(b)(1)(i) of the Regulations states that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

Revenue Ruling 56-138, 1956-1 C.B.202 held that financial aid to employees or retired persons is not, in and of itself, a charitable activity, since employees and retired persons as a class are not needy and distressed.

Revenue Ruling 77-366, 1977-2 C.B. 192 held that an organization which arranged cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities is not operated exclusively for exempt purposes under section 501(c)(3) of the Code.

In Puritan Church of America, 10CCH Tax Ct. Memo 485 (1951) affirmed per curiam 209 F.2d 306, (D.C. Cir. 1953) the court held that an organization whose actual activities had little relation to the observance of religious beliefs did not qualify as a religious organization under section 501(c)(3) of the Code.

In Federation Pharmacy Services, Inc. v. Commissioner, 625 F.2d 804 (8th Cir. 1980), affirmed Tax Court, 72 T.C. 687, 1979, the court held that a pharmaceutical service, which provided services for the general public with special discount rates for the handicapped and elderly, did not qualify for exemption under 501(c)(3) of the Code. While it improved health, it was primarily a commercial venture in competition with similar businesses.

In Fides Publishers Association v. United States, 263 F. Supp. 924 (1967), the court found that a corporate publisher of religious materials was not exempt. Although the publications furthered the exempt purpose of educating the lay apostolate, the presence of substantial business activity precluded exemption under section 501(c)(3) of the Code.

The presence of a single noncharitable or noneducational purpose, if substantial in nature, will preclude exemption under Section 501(c)(3) of the Code regardless of the number or importance of truly charitable or educational purposes. See Better Business Bureau v. U.S., 326 U.S. 279 (1945), Ct. D 1650.

Accordingly, we have concluded that you do not qualify for exemption from Federal income tax under section 501(c)(3) of the Code and contributions to you are not deductible by donors under section 170 of the Code because you were primarily formed to provide a benefit or service to your members. The discounts of up to 50% on lodging, restaurant, and other retail purchases provide a substantial service and benefit to your members.

Although your members are clergymen and other religious workers, they do not meet the general common definition of a charitable class. Therefore, providing benefits and services to them is not, in and of itself, a charitable activity. In addition, the provision of these services is not in furtherance of religious or other exempt purposes.

[REDACTED]

Your membership fees and discount service are similar to those which are offered to other entertainment and travel clubs. This service resembles similar discounts which are offered to commercial accounts and therefore you are not operated exclusively for exempt purposes.

You indicate that accrued funds after payment of operating expenses will be used to assist worthy religious and charitable causes. However, the donation of excess profits does not establish that you are organized and operated exclusively for charitable or religious purposes.